



WOODRUFF
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Property Losses Claim Guidelines

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Contact & Reporting:

Woodruff Sawyer specializes in providing end-to-end claims support. You will receive comprehensive consulting and expertise to protect and guide you before, during, and after a claim occurs.

This consultative approach means our dedicated claims experts may help you prevent certain claims altogether, or fiercely advocate on your behalf during the claims process.

Reach out to your Woodruff Sawyer Senior Claim Consultants:



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Provide First Notice of Loss or Damage

After discovering the loss, notify Woodruff Sawyer using one of the two methods:

- Online submission: [Woodruff360](#)
- Email all loss details to: claimfnol@woodruff Sawyer.com

Be sure to attach any appropriate transit documents, photos, and other pertinent documentation along with the First Notice of Loss and Damage.

Documenting Information for an Insurance Claim

In anticipation that a property claim may need to be filed/reported to the insurance company, please provide the following information:

1. Date of Loss
2. Specific location of loss [include Department Name and Cost Center]
3. Description of the incident/event
4. Restoration company involved: Y/N
5. Extent of damage to specified area (e.g., square footage)
6. Photographs taken of damaged items/area
7. Clean-up/repair/salary expense documentation (restoration company involved, contractors for repairs, employee hours for clean-up, salaries of all personnel whose work duties, and schedules that have been affected)
8. Itemized list of large ticket items damaged beyond repair
9. Itemized list of personal property damaged (office equipment, office furniture, surgical equipment)
10. Other material information, related to the incident, that could impact the financial loss (Check with Risk Finance for property insurance deductible amount for specific location)

IMPORTANT: Retain physical custody of damaged inventory and business property for insurance adjusters to inspect. Do not throw anything away without first checking with Risk/Finance on the status of the insurance claim.

Instead, identify a location to sequester the inventory and/or business property.

NOTE: The lease provision at “Insurance” will address ownership and insurable interest obligations and must be reviewed. Not all leases are alike. The “Repairs and Maintenance” language of a lease is NOT the controlling language in a claim scenario.

As a landlord, ownership may/or may not include any tenant improvements, only landlord owned items or where you have a financial interest (some leases have the landlord owning and insuring everything structural). Likewise, tenants should claim their structural tenant improvements and business personal property on their own policy (owner/financial interest in TIs depends on the lease terms and insurance policy coverages). **The tenant(s) should report their own losses to their respective insurer(s) for their tenant improvements and contents, and we can review the leases for waiver of subrogation language. Coordinating with your landlord/tenant:** You may both utilize the same contractors, but the scope of work and costs should be prepared in separate estimates (broken down by suite, common area, etc., or it will really be difficult to separate out later and will delay the settlement.)

Property Claims

Types & Definitions

Types

- Direct physical loss or damage to real and personal property
- Loss of utilities, when caused by covered peril
- Business income loss, when caused by covered peril

Definitions

- **Covered Peril:** Cause of loss to which insurance applies
- **Replacement Cost:** Payment for the replacement of damaged property without any deduction for physical depreciation
- **Actual Cash Value:** Replacement cost minus depreciation
- **Insurable Interest:** Interest in property that if damaged or destroyed causes a financial loss
- **Subrogation:** Transferring one's right of recovery of a loss to another party
- **Proximate Cause:** The efficient cause of a loss without which the loss would not have occurred (does not need to be immediate)

Action – Response

Insured/Property Manager/Client will

- Assess damage and mitigate loss
 - › Preserve cause of loss scene or evidence
 - › Protect other undamaged property from damage
- Document photographs, statements, incident reports, professional engineering, or damage reports
- Secure copies of leases, vendor contracts, civic directives, or codes
- Invoices of prior purchase, repair, or work
- Security or engineering reports
- For business income:
 - › Profit and loss statements
 - › Continuing and non-continuing expenses records
 - › Rent rolls, abatements, and extra expenses
- Engage remediation crew
- Instruct tenants
 - › To notify their own property insurance carriers
 - › About remediation and reconstruction plans
 - › About what repairs will be the tenant's responsibility
- Compile reconstruction costs, rent abatements, and extra expenses

Woodruff Sawyer will

- Advise on immediate response action to be taken as broker
- Advise on submission to insurance company and notification of insurer
- Work with insurer on behalf of the property to submit loss documentation and loss valuation
- Advocate for applicable coverage

Insurance Adjuster will

- Confirm insurance coverage
- Investigate, hire construction expert, estimate repair costs, scope, and claim value
- Calculate depreciation for Actual Cash Value settlement
- Calculate business income loss
- Submit settlement offer and payment

Useful Advance Planning Strategies Include

- Business continuity plan for a quick loss response
- Communication protocols
- Protecting the property

The most important thing to remember is to take whatever steps are necessary to protect the property from further damage immediately after an event. This may include hiring plumbers, electricians, or window board-up companies to complete immediate emergency repairs. It is not necessary to obtain insurance company approval for immediate mitigation work. While the insurance company will review and determine whether the charges for such work are appropriate, it will not question their necessity.

Communications/Submissions to the Adjuster and Consultant

As a guide, send an email with a clear subject line when sending communications/submissions to an adjuster/insurer. The subject line should identify the purpose, claim number, client/insured name, and date of loss. (Subject: "Claim Submission/Invoices – claim # - client x -DOL x/x/xx")

Follow these three points:

- **What am I sending?** You will send a cover note/email of one or two paragraphs to accompany the attachments that explains what is attached (attachments include invoices, contracts, estimates, etc. for the restoration of the insured property damage and part of our claim)
- **Why am I sending this?** Adjusters receive many emails and attachments, so it's important to connect the document to the loss and, when appropriate, guide them to the specific documents by name, page/paragraph, etc. Make it easy for them to see what you want them to see and easy for them to find it

Example: The invoice from X is for emergency cleanup; the estimate/invoice from Y is for the repairs/build back to our owned property only; and the relevant contract with Z has clause x at page x of document "name x" that obligates us to ...

- **What do you expect from this submission?** Clarifying expectations, timeframes, deadlines, etc. is especially important for an adjuster. If the adjuster fails to acknowledge the submission, we will assist in following-up and escalating to management.

Example: I look forward to hearing from you by x/x/xx. If you have any questions before then or require additional information, please advise/call me, or email me, etc. immediately. I am also available to participate in a phone call to review and walk you through the information if needed. I expect payment of \$X by x/x/xx so I can pay my vendors on time.

This should help keep things on track for the claim. The claim consultant will assist with the submissions.

Recommended Guidelines for Vendors

The engineer, electrician, and plumber reports should be detailed and identify the cause of the failure. The plumber/electrician estimate must be in a "line item" format, not lump sum values. It needs to have a **breakdown of costs for tear-in/access, costs of pipe/wiring materials, cost of labor for pipe/wiring repairs, and cost of back-fill after the repairs, etc.** Invoices for materials and timesheets may also be requested. If you request a breakdown in a Xactimate estimate (estimating software) or similar format, they usually accommodate. Most know what Xactimate is, but not many contractors use it if they do not have a lot of insurance-related work. Some contractors use "time and materials" estimates and should request the timesheets and materials invoices.

All vendor estimates must be in a "line item" format, not lump sum values, as this will expedite the evaluation of the claim. **Details of the measurements, grade of materials, material quantities, unit costs, employee roles, labor hours worked, hourly rates, etc. are all needed in the estimate and invoices. This should be requested upfront.** If they do not want to do it, you may want to consider

another contractor. Once the project is complete, they will move on, and it becomes harder to secure details. If the general contractor uses sub-contractors, their invoices should be attached to the general contractor's final bid and should be detailed as well. It will make the process easier and secure payment from the insurer faster.

Good Example: A line-item estimate should contain detailed descriptions, quantities, activities, rates, etc.

DESCRIPTION	QTY	REMOVE	REPLACE	*TOTAL
NOTE- EMERGENCY BOARD UP AND CLEAN UP PER PERTAINS TO FIRE DAMAGED AREA UNIT				
1. Replace Temporary Repairs - per hour - after hours	3.00 HR	0.00	90.85	272.55
2. Replace Temporary Repairs - General Laborer - per hour - after hrs	3.00 HR	0.00	55.22	165.66
3. (Material Only) 2" x 4" lumber (.667 BF per LF)	32.00 LF	0.00	0.43	13.76
4. (Material Only) Sheathing - OSB - 1/2"	64.00 SF	0.00	0.36	23.04
5. Cleaning Technician - per hour	0.50 HR	0.00	37.58	18.79
6. Single axle dump truck - per load - including dump fees	0.10 EA	298.52	0.00	29.85
Totals: emergency temporary				523.65
Line Item Totals: CTL PER				523.65

Good Example: Time and materials estimate should include key parts highlighted. In this sample, note the level of detail (1/2 face—yes, details matter):

MATERIAL				LABOR				
TYPE OF MATERIAL	QUANTITY	UNIT PRICE	AMOUNT	CLASSIFICATION:	HOURS WORKED	RATE	AMOUNT	
TOWELS	4 boxes	22.00	88.00	LABOR ST.				
Vacuum bags	6	1.65	9.90	LABOR OT.	27	84.65	1,777.65	
Rags	2	21.14	21.14	LABOR DT.				
filters				SUPERVISOR ST.	27			
1/2 face	10	4.38	43.80	SUPERVISOR OT.	11	107.44	1,181.84	
Tape	7 box	134.90	134.90	SUPERVISOR DT.				
masking tape	7 box	144.35	144.35	OT SHOP	4	84.65	338.60	
Gloves	4 pairs	7.98	31.92					
clear bags	2 roll	54.60	54.60					
plastic	1 roll	79.19	79.19					
SUPS	1 box	59.00	59.00					
TOTAL			726.81	TOTAL			3,298.09	
SALES TAX @ 9 %			66.60	TRAVEL & SUBSISTENCE				
TOTAL MATERIAL COST			726.81	EXPENSES				
MISCELLANEOUS				SUMMARY				
DOP TESTING: <input type="checkbox"/> yes <input type="checkbox"/> no				TOTAL MATERIAL COST				726.81
EQUIPMENT RENTAL: <input type="checkbox"/> yes <input checked="" type="checkbox"/> no				TOTAL LABOR COST				3,298.09
TYPE: 2 dehumidifiers 224.00 TBD				TOTAL MISCELLANEOUS COST				TBD
WASTE SEE ATTACHED				TOTAL COST				4,024.90
HAULER	QUANTITY	MANIFEST NUMBER		ON 726.81	OH & P @ 15.9%		109.92	
				TOTAL = 4,133.92				
				Notes:				
TOTAL								
SALES TAX @ %								
TOTAL MISCELLANEOUS COST								

We hereby submit specifications and estimates for:

Scope: Per walkthrough of the Restrooms

- Patch and repair walls, hardlid ceilings where tile was removed
- Provide and install ceramic tile for patching, match as best as possible
- Prep and paint new sheetrock and entire hardlid ceilings
- Remove wall covering and prep walls for new paint finish
- Install owner supplied carpet at entries into the Restrooms
- Provide and install finish protection
- Remove and haul off construction debris
- Final cleaning
- Excludes work from the 8th Floor Restroom

Clarifications:

- All work to be done during normal business hours
- Payment upon completion of work, within thirty (30) days

Bad Example: This sample does not include details such as quantities, the thickness of drywall, tile grade (is it 10 tiles or 10,000 tiles?), how many dumpsters of debris and dumpster size, etc.

DESCRIPTION	AMOUNT
For work performed through December 31, 2015	
1) Work 100% complete per attached proposal.	
NET AMOUNT DUE THIS BILLING	\$ 71,154.00

The lack of detail can lead to a long, arduous claims process, and oftentimes results in a lesser payment due to the carriers' inability to quantify undocumented expenses.

Documenting Business Interruption/Extra Expense (aka: Time Element) Losses

The business interruption (BI) coverage is not “revenue replacement.” It is coverage tied back to property damage of the type insured. Thus, we need to establish that there is “property damage” and how your business has lost income during the period of restoration despite your reasonable efforts to mitigate the loss. You may also have incurred Extra Expense (EE) in your efforts to mitigate the income loss.

The submission can be a summary of your internal calculations of the BI/EE loss. And, when sending to the adjuster, you will need to submit both the summary and the support/internal documentation used to prepare those calculations.

There is no BI/EE Worksheet to evaluate a business interruption and extra expense loss. The insurer will review your P&L Statements, operation costs, increase/decreases during the loss period, and attempt to recreate the balance sheet as if a loss had not occurred. Did you lose any sales or contracts and how much? Did you incur any extra expenses and how much?

The adjuster/insurer or their forensic accountant will need information about any lost business and extra expense sustained by any of the locations during the event.

Required Business Interruption/Extra Expense Loss Documentation and Support Short-list

This information may include, but may not be limited to the following:

- Profit and Loss statements for the period of the loss and two years prior that include the same time period, if available
- Daily financials/P&L (sales figures, batch runs, logbooks, etc.) for the period of restoration and two weeks post- and pre-loss
- Costs of goods, materials, supplies, or outside services
- Non-continuing expenses
- Information/explanation regarding the extra expense requests for employees, and ordinary payroll

Important questions to ask

- Which location or locations were impacted by lost sales?
- What type of business is being done in the impacted location or locations?
- What is the estimated loss of sales for each impacted location?

- What initiated the loss of sales, if any? e.g., building closure due to:
 - › Property damage
 - › Loss of power
 - › Mandatory evacuation
 - › If the facility was shut down, for how long? (i.e., the date and time of closure and the date it was reopened)

You may be requested to forward a copy or copies of the latest P&L statement for the impacted facility or facilities covering the period of the loss before the adjuster will approve extra expenses. Your Claim Consultant will assist you with timing and responses to requests.

Note: *Business Income = Net Profit or loss + Extra Expenses (This is not a “revenue” replacement of loss.)*

Extra Expense is used to mitigate loss and may involve temporary set-up at another location or going to a vendor to provide product to keep the operations running. Note: this is an overly simplistic view of a complex calculation; each policy is different.

We will assist you throughout the claim process: reporting, counseling, monitoring, communicating, recommending, negotiating, interpreting, and advocating for coverage on your behalf.

Why You May Need a Forensic Accountant on Your Side

The accountant retained by the insurance company is representing their interests, not yours. They are paid by the insurer as a loss adjustment expense. Hiring your own accountant may be a benefit that *may not* reduce your indemnity benefits; although, not all policies have this benefit.

In making your decision, it is important to consider whether you have internal expertise and resources available to manage a claim of this size. You will need to review the schedule prepared by the insurance carrier's expert, scrutinize their work-product, provide counter points, and verify its accuracy.

If an expert is needed, we recommend using the available coverage under the policy to engage the accounting firm in the initial stages of the claim. This is a critical decision, and they will measure the loss from your perspective, not the insurance company's interests. The Claim Consultant can discuss options in more detail.

Forensic Accountant Services may include

- Set up a ShareFile site/document depository for storage of documents exchanged between the client and insurer, tracking of documents submitted, reviewing/access, and communication flow protocol adherence
- Review applicable insurance policies, leases, contracts, and other such documents that are necessary and appropriate to perform the services described herein
- Conduct visits to the loss location, meet with insurer's representatives, and outline all areas of loss and damage
- Review and analyze information necessary and appropriate to perform the services described in their Engagement Letter; including but not limited to financial information, reports, proposals, estimates, invoices, etc.
- Prepare and certify all aspects of the insurance claim, pursuant to applicable policy provisions
- Develop and furnish a claim presentation to the respective insurer(s) and/or its (their) representatives after approval by client; and
- Assist client with resolution of the claim in collaboration with the Woodruff Sawyer Claims Expert

Lender/Lienholder: Requirements to be listed on payments and ways to expedite the endorsement process

Lenders and insurance policies often require that any party, lender, or lienholder, with interest in real property or business property must be listed on the insurance policy. When a claim occurs, the insurer will need to list the lender or lienholder on the claim payment to you/the insured party(ies). Every lender has a process for how they want the payments to flow through them for endorsement. It is important to notify the lender/lienholder when a loss occurs and inquire about their process. By preparing ahead of time, when the insurer is ready to issue a payment or/an advance, you will be ready to provide the information to the adjuster.

Depending on the lender's/lienholder's requirements, they may decide to waive their right to be named on the payment if the loss is below a specific amount. If the lender has been paid off, the payoff letter can be sent to the account executive at Woodruff Sawyer to have the policy endorsed, and the lender removed from claim settlement payments. The lender may also issue a letter confirming they do not wish to be named on the payment on a one-time basis. As such, early communication with the lender(s) is important so the process of issuing payment is not delayed later.

Documenting a Theft Loss and Other Considerations

A police report should always be filed. The equipment that may have been stolen or damaged should be quantified per the instructions below. There may also be damage to the building from forcible entry. We will need to know if the building is owned or leased and the estimate for repairs.

If your deductible will be exceeded for the purchase of the stolen/damaged equipment, then we can proceed with reporting and pursuing the claim.

If you're going to pursue the claim: We recommend compiling a detailed contents inventory list of business property items being claimed to include quantity, description, model#, price paid, date purchased/age, and current price of the equivalent replacement item value. The adjuster will also request proof of ownership such as receipts, bill of lading, photos, inventory/schedules, warranty materials or other documentation that demonstrate proof of ownership. A contents inventory document will be provided by the claim consultant or adjuster to capture the information above.

The supporting documentation for a theft claim is three parts

1. Documentation supporting ownership before the loss (invoices or company inventory ledger for stolen items)
2. Documentation supporting items being purchased (like kind and quality) quote/invoice, taxes, shipping costs, etc.
3. The list you prepare with the two sets of supporting documents above

When completed, please send the inventory list and documentation for review to the adjuster and the claim consultant.

Cyber Question: If there are electronics/mobile equipment (cell phones, laptops, desktops, servers accessed) involved, please confirm if there was any customer sensitive data that may present a Cyber Liability exposure. Was the equipment password protected, encrypted, and/or able to be wiped remotely?

Additionally, even if there was no sensitive customer data, do we have any reason to believe there may be employee data or benefit plan information that unintended parties may access? We will engage our cyber claims team to report a claim on additional policies as appropriate.

Why is the adjuster offering an Actual Cash Value settlement on Replacement Cost Value policies? — How ACV is Determined and How to Recover the Full RCV

When items are claimed on a Replacement Cost (RCV) Policy, but not replaced at the time of the claim submission, the policy pays the “Actual Cash Value (ACV)”/depreciated value at the time of settlement. Then, the depreciation is paid after you submit the replacement invoices. You may upgrade or downgrade, but the funds should be used for similar equipment for the recoverable depreciation to be paid to you.

To arrive at ACV, the adjuster will use the traditional method, starting with the amount it would cost to repair or replace Covered Property, at the time of loss or damage, with property of like kind and quality. They will then take depreciation based on the age and condition of the property to arrive at the actual cash value.

Replacement Cost less Depreciation = Actual Cash Value

You have the option to request that actual cash value be determined based upon the fair market value of the property, although it has been our experience that this may result in a lesser recovery than the method described above. Book values from a company’s financial statement should never be used unless the policy valuation/settlement clause is specifically for “book value.” (Book Value is a rare valuation clause, sometimes common in foreign markets countries with local placement policies.

Nonetheless, a Master Policy with DIC/DIL coverage usually picks up that difference to achieve settlement at RCV.)

In addition, you typically have 180 days (about 6 months) from the date of loss to make claim for the recoverable depreciation withheld in the settlement of the claim. To do so, please forward all photographs, invoices, receipts, and documents to support that the property has been repaired/replaced and the actual costs incurred in doing so. Once received, the adjuster will contact you to discuss the resolution of your Replacement Cost Value (RCV) claim which will entail reconciling what was previously paid/ACV up to the difference incurred/RCV.

If the repairs will take a year or more to complete, then a letter stating the intent to perform the repairs should be sent before the 180 days and/or request an extension for the depreciation to be recoverable at some point in the future beyond the Legal Action/Suit Condition of the policy.

If you no longer have a business need to repair/replace the stolen/damaged items, you can spend the ACV settlement as you deem appropriate but will not recover the depreciation.

Please make sure to present all estimates for work to be done to the adjuster for review. The adjuster will compile the full cost of the repairs, reconcile against what the policy allows, and provide an updated Statement of Loss and supplemental payment for any legitimate differences, if warranted. If any portion is not covered, the adjuster will advise and cite the policy language that applies. If your vendor charges more than the reasonable going rate allowed by the adjuster, either get a second bid or you may be responsible for the portion the policy does not cover. In the end, if everything is submitted, the depreciation is paid as part of the final/closing payment, and you are out only your deductible and any costs that are excluded or unreasonably excessive.

Every Event is Unique

This manual provides general guidelines for responding to various types of incidents, claims, and losses. Nevertheless, each event is unique as to the people and damages involved and each situation must be addressed based on its specific circumstances. Therefore, do not hesitate to confer with management, emergency personnel, or the authorities (police/fire/medical) when responding to unusual, serious, or challenging events.

As a reminder, the claims process is detailed below.

The Claim Process Steps-by-Step

1. Identify damage and report it to the broker; take action to mitigate loss.
2. The Broker and Client review policy; deductibles, and options/strategy to report to insurer.
3. Report the claim, after which point an adjuster is assigned and inspections and request for documentation are issued.
4. Collect estimates from vendors/contractors, select one and complete repairs, and order stock/inventory.
5. Request claim payment advances: amounts vary by loss, policy, insurer preferences, etc.
6. Reopen operations and evaluate impact on business loss that continues.
7. Prepare claim schedules and backup documentation for review with consultant/experts.
8. Sign the Proof of Loss or Subrogation Receipt and send to the adjuster for final payment to be issued. Include the offer, statement of loss, or proof of loss.
9. Reconcile differences, explain, and further document to reach agreement and settle.
10. Sign the Proof of Loss or Subrogation Receipt and send to adjuster for final payment to be issued.

Woodruff Sawyer is here to assist in any claim and will be your fierce advocate throughout every process. This guide is not intended to be a substitute for an interactive conversation about the policy coverages, claim specifics, and key decision points unique to each claim (i.e., decision points: should the loss be reported if below my deductible, can a client rebuild/relocate their operations to a different site, and impact of building codes, etc.). Each claim should be evaluated on its merits, and clients' policies change from year to year. Should you have any questions about this guide or property claims in general please don't hesitate to contact your Woodruff Sawyer team.